



North Dakota Motor Fuels Newsletter

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Office of State Tax Commissioner

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Fuel Tax Reports/Schedules Electronic Filing

One of the Tax Commissioner's goals is to improve customer service through the effective use of technology. As a result, we are researching electronic filing options for fuel tax reports and schedules and trying to identify what would work best for taxpayers. We would appreciate it if you could help us with this by completing the enclosed survey and returning it to us by August 31, 2000.

Already available is the option of filing the detailed schedules through use of an electronic data interchange (EDI). If you were not contacted previously about being a trading partner and if you are interested, the applicable mapping and agreement information will be provided to you upon request.

Form Supply

A supply of fuel tax report forms and schedules will be mailed to all licensees the week of August 14. There are no changes to the tax report forms. The Schedules of Gallons Received and Schedules of Gallons Disbursed and the instructions for the forms are revised.

If forms are needed prior to August 15, please contact the Motor Fuel Tax Section.

Computer Generated Forms

Computer generated forms may be utilized by licensees, provided the forms are identical to those supplied by the Tax Commissioner. They should be color-coded as well. If you plan to use computer generated forms for your tax reports or schedules, be sure to provide a sample to the Motor Fuel Tax Section for approval prior to using them.

All tax reports must include an original signature.

Instruction Booklet

A revised instruction booklet for fuel tax reports and schedules will be provided to all licensees. It will be mailed separately and should be available by the end of August.

The booklet contains detailed information regarding issues allowances, prepaid sales of fuel, inventories, records retention, imports, exports, and more. It also contains line by line instructions for reports and schedules. Please be sure that **all personnel** involved with fuel tax issues and fuel tax reports review this booklet thoroughly. If you would like an additional booklet, please contact the Motor Fuels Tax Section.

License Application Forms & Newsletters Available on Internet

License application forms and fuel tax bond forms are now available on the Internet. They may be found on the Tax Commissioner's home page at: www.state.nd.us/taxdpt/ then select "Forms and Publications" - "Tax Forms and Instructions" - "Motor Fuel Tax Forms and Instructions." Newsletters are also available on the same web site.

Gross versus Net Gallons

North Dakota law requires the reporting of gross gallons. There are no exceptions. Purchases, sales, and inventories of all fuels must be in gross gallons.

Inventory Reconciliations

Pursuant to law, an inventory reconciliation should be prepared each month. The purpose of an inventory reconciliation is to adjust the book inventory to the actual physical inventory. Because gains and losses fluctuate, you are being allowed to prepare a reconciliation at a period of your choosing; however, it must be done at least once every 12 months.

To compute shrinkage and evaporation allowances, use the total gallons of fuel purchased during the period from your last inventory reconciliation through the month covered by your current report. Do not exceed a 12 month period. If you do not prepare an inventory at least once in every 12 month period, you risk a tax liability on losses carried over from a prior period.

Prepaid Sales of Fuel

When selling fuel to a consumer based on an agreement to deliver the product at a later date, there are two possible scenarios which will affect when to report the sale.

- (1) The price and the number of gallons are agreed upon between the seller and the buyer, the transaction is invoiced as a sale on a specific date, and the buyer is billed with that invoice.

The transaction must be reported as a sale in the month in which the invoice is created.

- (2) A price is agreed upon, but the consumer is not billed for the product until the fuel is delivered.

The transaction must be reported as a sale in the month in which the fuel was delivered and the billing invoice was created.

Methanol/Racing Fuel

Methanol transactions previously reported on the special fuel tax report and schedules must now be reported on the Motor Vehicle Fuel tax report and schedules. Methanol transactions need to be reported only if sold as racing fuel. You should report purchases of the same number of gallons as the sales in order to get the product into your motor vehicle fuel inventory. The sale is taxable at \$.21 per gallon and should be reported either on line 16 or on line 17. When selling methanol to an entity for resale purposes, it is the purchaser's responsibility to account for the transaction in the event that it is ultimately sold to a consumer as racing fuel.

All racing fuel is taxable at \$.21 per gallon.

Special Fuel Tax Issues

Please review the tax rate charts provided to you and make sure **all employees** dealing with sales have a copy available. Additional copies are available from the Motor Fuel Tax Section. Also, please be sure to review all special fuel tax information in the instruction booklet when you receive it.

Undyed (clear) diesel/heating fuels:

Except on sales to an agency of the U.S. Government or certain sales to Native Americans, undyed diesel and heating fuels are always subject to the state's \$.21 per gallon tax. **This tax is not refundable to consumers, regardless of use.**

The \$.21 per gallon tax applies on sales of undyed diesel fuel to the state and local governments. There are no exceptions.

Dyed diesel/heating fuels:

Except on sales to an agency of the U.S. Government or certain sales to Native Americans, dyed diesel and heating fuels are subject to the state's 2% special fuel excise tax.

The 2% special fuel tax applies to dyed diesel and heating fuels sold to the state and local governments.

The state or local government can burn dyed diesel fuel in licensed vehicles; but only those vehicles used for construction, reconstruction, or maintenance of roads or streets. Clear diesel taxed at \$.21 per gallon must be used in all other licensed vehicles.

Administratively, the Motor Fuel Tax Section allows sales of dyed fuel to local school districts for use in their own school buses. This dyed fuel is, however, subject to the \$.21 per gallon tax and must be noted on the invoices and remitted accordingly. This exception is not made for any other sales of dyed fuel and is subject to change.

Tax on fuel sold for resale:

Special fuel retailers are required to be licensed with the Tax Commissioner. If the retailer sells only clear diesel fuel, the retailer may acquire an inactive license. The retailer with an inactive license must pay the \$.21 per gallon tax to a supplier or distributor and does not need to file monthly tax reports.

Any seller of dyed diesel or heating fuel must have an active license issued by the Tax Commissioner and cannot purchase the fuel tax paid. Under no circumstances may a supplier or distributor charge and remit the 2% special fuel tax on sales to an entity purchasing the fuel for resale. **The 2% tax applies only on direct sales to consumers.**

The 2% tax may be applied to the full price charged the consumer, or it may be applied to a discounted price. Either way, **the seller is required to remit the actual tax charged.**

Liquefied Petroleum Gas:

Propane is the only product which must be reported as a liquefied petroleum gas. Butane transactions are no longer required.

If You Need Assistance, Contact

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